

DAVID L. ANDERSON (CABN 149604)
United States Attorney

HALLIE HOFFMAN (CABN 210020)
Chief, Criminal Division

JEFF SCHENK (CABN 234355)
PHILIP KOPCZYNSKI (NYBN 4627741)
NOAH STERN (CABN 297476)
Assistant United States Attorneys

450 Golden Gate Avenue, Box 36055
San Francisco, California 94102-3495
Telephone: (415) 436-7200
FAX: (415) 436-7234
Jeffrey.b.schenk@usdoj.gov
Philip.kopczynski@usdoj.gov
[Noah.stern@usdoj.gov](mailto>Noah.stern@usdoj.gov)

Attorneys for United States of America

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

The United States, through Assistant United States Attorneys Jeff Schenk, Philip Kopczynski, and Noah Stern, responds to PG&E's motion for reconsideration of the Court's April 29, 2020 order modifying the conditions of its probation.

Now that the Court has granted PG&E a hearing for further consideration of the new conditions, PG&E's procedural arguments are moot. The procedural requirements of Rule 32 of the Federal Rules of Criminal Procedure will be satisfied after the hearing on PG&E's motion for reconsideration.

With respect to the substance of the conditions, the government shares the Court's interest in

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1 imposing conditions of probation aimed at protecting the public from further death and destruction
 2 caused by wildfires ignited by PG&E equipment. However, on this record, the United States is not in a
 3 position to address whether the new conditions ordered by the Court can be feasibly implemented, will
 4 protect the public, and are consistent with regulations imposed on PG&E by the California Public
 5 Utilities Commission (“CPUC”) and other regulators. Because of the complexity of developing
 6 successful processes for ensuring the safety of electric transmission and distribution lines and the related
 7 regulatory scheme, the government recommends that the Court extend the stay of its order imposing new
 8 probation conditions and supplement the record on the question of whether the *specific conditions*
 9 ordered by the Court are no broader than reasonably necessary to achieve the goals of 3553(a) and
 10 harmonize with state regulation. The Court could do so by soliciting input from the CPUC and Cal Fire,
 11 and requesting the Federal Monitor to obtain opinions from its experts.

12 Alternatively, the government notes that the Court invited PG&E to meet with the CPUC and the
 13 federal monitor to devise ways to carry out the new conditions and stated that “the Court will be flexible
 14 in approving any protocols that achieve the essence of the foregoing new conditions if all such parties so
 15 recommend.” Dkt. 1186 at 12. The government believes that this is a reasonable process for ensuring
 16 that the conditions are reasonably necessary and do not conflict with the state regulation of PG&E. The
 17 Court could stay the new conditions until PG&E submits proposed protocols.

18 **I. The Court Has the Power to Entertain PG&E’s Motion for Reconsideration and PG&E’s
 19 Notice of Appeal is Ineffective and Did Not Divest the Court of Jurisdiction**

20 District courts have “inherent power” to entertain motions for reconsideration in criminal
 21 cases. *United States v. Lopez-Cruz*, 730 F.3d 803, 811 (9th Cir. 2013). “No precise ‘rule’ governs” this
 22 authority to reconsider a prior ruling; it “is within [the Court’s] sound judicial discretion.” *Id.* at 811. A
 23 motion for reconsideration is considered timely if it is “filed within the original period for
 24 review.” *United States v. Villapudua-Perada*, 896 F.2d 1154, 1156 (9th Cir. 1990) (quotation marks
 25 omitted). When a timely motion for reconsideration is filed, it “renders an otherwise final decision of a
 26 district court not final until it decides” the motion. *United States v. Ibarra*, 502 U.S. 1, 6-7 (1991) (per
 27 curiam); *see also United States v. Dieter*, 429 U.S. 6, 8 (1976) (“[T]he consistent practice in civil and

1 criminal cases alike has been to treat timely petitions for rehearing as rendering the original judgment
 2 nonfinal for purposes of appeal as long as the petition is pending."); *United States v. Healy*, 376 U.S. 75,
 3 77-78 (1964) (same).

4 PG&E's notice of appeal in this case is ineffective and does not deprive this Court from
 5 exercising its inherent authority to further modify its order. *See United States v. Figueroa*, No. 2:08-cr-
 6 273 JCM, 2010 WL 5314359, at *1 (D. Nev. Dec. 20, 2010) ("Although . . . motion for reconsideration
 7 is not one of the enumerated motions under Rule 4(b)(3)(A) . . . [it] 'renders an otherwise final decision
 8 of a district court not final until it decides the petition for rehearing.'" (quoting *Ibarra*, 502 U.S. at
 9 6)). That is especially true, as PG&E correctly points out (Dkt. No. 1187 at 2 n.2), because 18 U.S.C. §
 10 3563(c) specifically authorizes this Court to modify probation conditions "at any time." Moreover, the
 11 Supreme Court and Ninth Circuit have specifically encouraged district courts to reconsider their own
 12 orders in similar circumstances. "[P]lenary consideration of an issue by an appellate court ordinarily
 13 requires more time than is required for disposition by a trial court of a petition for rehearing." *Dieter*,
 14 429 U.S. at 9. District courts are therefore given broad authority to "reconsider their own orders" to
 15 avoid "the time-consuming, costly process of appeal." *United States v. Martin*, 226 F.3d 1042, 1049
 16 (9th Cir. 2000); *see also United States v. Jones*, 608 F.2d 386, 390 n.2 (9th Cir. 1979) (permitting
 17 district courts to reconsider their own order "furthers the policy favoring judicial economy"). PG&E's
 18 protective notice of appeal does not divest this Court of that authority.

19 **II. PG&E's Procedural Arguments are Now Moot**

20 PG&E argues that the Court imposed the new conditions without notice or a hearing. Dkt. No.
 21 1187-1 ("Mot.") at 4. On May 14, 2020, the Court issued an order staying the imposition of the
 22 conditions and setting a briefing schedule and hearing on PG&E's motion. Dkt. No. 1190. The Court's
 23 order moots PG&E's procedural arguments because, after the hearing is held, the requirements will be
 24 met.

25 While a defendant is serving a term of probation, "[t]he court may modify, reduce, or enlarge the
 26 conditions . . . at any time . . . , pursuant to the provisions of the Federal Rules of Criminal Procedure
 27 relating to the modification of probation and the provisions applicable to the initial setting of the

1 conditions of probation.” 18 U.S.C. § 3563(c); *see also United States v. Bainbridge*, 746 F.3d 943, 946-
 2 50 (9th Cir. 2014) (holding that district court may modify conditions of probation without any “change
 3 in circumstances”). The Federal Rules of Criminal Procedure provide that “[b]efore modifying the
 4 conditions of probation . . . , the court must hold a hearing, at which the person has a right to counsel
 5 and an opportunity to make a statement and present any information in mitigation.” Fed. R. Crim. P.
 6 32.1(c)(1).

7 On January 16, 2020, the Court issued an order to show cause why a new condition of probation
 8 should not be imposed “requiring PG&E to hire and train, as part of its own workforce, sufficient crews,
 9 and equipment to inspect and to trim and remove all vegetation” to come into compliance with
 10 California law and PG&E’s wildfire mitigation plan. Dkt. No. 1133. The Court scheduled a hearing
 11 and PG&E submitted briefing on the issue. In the meantime, the Court issued numerous orders
 12 requesting information from PG&E relating to transmission line inspection issues, including ordering
 13 PG&E to address the evidence presented by an expert that a potentially dangerous condition on a
 14 transmission line was missed by PG&E’s inspectors. Dkt. Nos. 1111, 1122, 1125, 1127, 1136, 1138.
 15 On February 19, 2020, the Court held a hearing on the proposed new condition and the transmission line
 16 issue. Dkt. No. 1159. On April 29, 2020, the Court issued its order imposing four new conditions of
 17 probation, which are the subject of PG&E’s motion. Dkt. No. 1186. PG&E requested leave to file a
 18 motion for reconsideration along with its motion and over 1,500 pages of supporting documents,
 19 including expert declarations. Dkt. No. 1187. The Court set a briefing schedule and scheduled a
 20 hearing on PG&E’s motion for May 28, 2020. Dkt. No. 1190. The government believes that this
 21 process satisfies the procedures outlined in Federal Rule of Criminal Procedure 32.1(c)(1).

22 **III. The United States Recommends the Court Extend the Stay of Its Order to Supplement the
 Record on Whether the New Conditions are Reasonably Necessary**

23 **A. Applicable Law**

25 Section 3565 of Title 18 provides that when a defendant violates a condition of probation, “the
 26 court may, after a hearing pursuant to Rule 32.1 of the Federal Rules of Criminal Procedure, and after
 27 considering the factors set forth in section 3553(a) to the extent that they are applicable—(1) continue
 28

1 him on probation, with or without extending the term or modifying or enlarging the conditions; or (2)
 2 revoke the sentence of probation and resentence the defendant under subchapter A.” 18 U.S.C. §
 3 3565(a); *see also* U.S.S.G. § 8F1.1 (“Upon a finding of a violation of a condition of probation, the court
 4 may extend the term of probation, impose more restrictive conditions of probation, or revoke probation
 5 and resentence the organization.”).

6 When setting the terms of probation for an organizational defendant, just as for an individual
 7 defendant, the court may impose any condition that is “reasonably related to the factors set forth in [18
 8 U.S.C. §] 3553(a)(1) and (a)(2),” so long as the condition “involve[s] only such deprivations of liberty
 9 or property as are reasonably necessary for the purposes indicated in section 3553(a)(2).” 18 U.S.C. §
 10 3563(b)(22). The factors set forth in Section 3553(a)(1) and (2) include, among others, “the nature and
 11 circumstances of the offense and the history and characteristics of the defendant,” and the “need for the
 12 sentence imposed . . . to reflect the seriousness of the offense, to promote respect for the law, and to
 13 provide just punishment for the offense; . . . to afford adequate deterrence of criminal conduct; . . . [and]
 14 to protect the public from further crimes of the defendant.” 18 U.S.C. § 3553(a)(1)-(2).

15 The United States Sentencing Guidelines (“Guidelines”) also address probation for
 16 organizational defendants. The Guidelines state that probation is appropriate for organizational
 17 defendants in many circumstances, including when “necessary to ensure that changes are made within
 18 the organization to reduce the likelihood of future criminal conduct,” and when “necessary to
 19 accomplish one or more of the purposes of sentencing set forth in 18 U.S.C. § 3553(a)(2).” U.S.S.G. §
 20 8D1.1(a)(6), (8). Mirroring the language in the statute, the Guidelines provide that courts may impose
 21 conditions “that (1) are reasonably related to the nature and circumstances of the offense or the history
 22 and characteristics of the organization; and (2) involve only such deprivations of liberty or property as
 23 are necessary to effect the purposes of sentencing.” U.S.S.G. §8D1.3(c). The Guidelines further state
 24 that “[i]n determining the conditions to be imposed . . . , the court should consider the views of any
 25 governmental regulatory body that oversees conduct of the organization relating to the instant offense.”
 26 U.S.S.G. § 8D1.4 cmt. 1.

27 Consistent with these provisions, the Ninth Circuit has long held that, within certain limitations,
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1 “the trial judge has very broad discretion in fixing the terms and conditions of probation.” *United States*
 2 *v. Consuelo-Gonzalez*, 521 F.2d 259, 262 (9th Cir. 1975) (en banc). The Ninth Circuit reviews a district
 3 court’s modification of conditions of probation for abuse of discretion. *United States v. Nixon*, 839 F.3d
 4 885, 887 (9th Cir. 2016). A condition of probation “need not relate to the offense of conviction, as long
 5 as it satisfies one of the . . . goals” set forth in Section 3553(a)(1) and (2). *United States v. Weber*, 451
 6 F.3d 552, 558 (9th Cir. 2006); *accord United States v. Stoterau*, 524 F.3d 988, 1008 (9th Cir. 2008).¹
 7 Moreover, the statutory requirement that a condition of probation be reasonably related to the Section
 8 3553(a) factors is “a very flexible standard.” *United States v. Gementera*, 379 F.3d 596, 603 (9th Cir.
 9 2004) (internal quotation marks and citations omitted). “[E]ven very broad conditions are reasonable if
 10 they are intended to promote the probationer’s rehabilitation and to protect the public.” *United States v.*
 11 *Bee*, 162 F.3d 1232, 1236 (9th Cir. 1988). In addition, a condition may have a proper rehabilitative
 12 purpose even if it is aimed at conduct that does not rise to the level of a criminal offense. *See United*
 13 *States v. LaCoste*, 821 F.3d 1187, 1192 (9th Cir. 2016). The Ninth Circuit has affirmed conditions of
 14 probation that restrict or interfere with the probationer’s vocation so long as the condition is reasonably
 15 necessary to achieve a proper purpose, such as protection of the public. *See United States v. Clark*, 195
 16 F.3d 446, 452 (9th Cir. 1999); *United States v. Nu-Triumph, Inc.*, 500 F.2d 594, 596 (9th Cir. 1974).

17 Specific to organizational defendants, the Ninth Circuit “has recognized that special problems
 18 are inherent in the criminal punishment of corporations.” *United States v. Blue Mountain Bottling Co. of*
 19 *Walla Walla*, 929 F.2d 526, 528 (9th Cir. 1991). One such problem is that “because corporations cannot
 20 be sentenced to prison time, sentences between corporate and individual defendants may be disparate.”
 21 *Id.* According to the Ninth Circuit, “‘creative terms of probation’ may be required to rectify this
 22 disparity while seeing that the punishment of criminals is effected.” *Id.* (quoting *United States v.*
 23 *Mitsubishi Int’l Corp.*, 677 F.2d 785, 787 (9th Cir. 1982)).

24 While regularly reaffirming that district courts “enjoy broad discretion in fashioning the

25
 26 ¹ *Weber* and *Stoterau* concerned supervised release but the analysis of probation and supervised
 27 release is largely the same. *Compare 18 U.S.C. § 3563 with 18 U.S.C. § 3583; see also, e.g., Gagnon v.*
Scarpelli, 411 U.S. 778, 782 (1973); *United States v. Kincade*, 379 F.3d 813, 817 n.2 (9th Cir. 2004) (en
 banc).

1 conditions needed for successful supervision of a defendant,” and that district courts’ choices will
 2 receive ‘substantial deference,’ the Ninth Circuit has insisted that conditions of supervision find support
 3 in the record, and that the conditions be no broader than reasonably necessary. *See LaCoste*, 821 F.3d at
 4 1190-93. The Ninth Circuit has also recognized federalism concerns when a condition of supervision
 5 “qualifies as federal intervention into a ‘traditional area of state concern.’” *United States v. Lakatos*,
 6 241 F.3d 690, 695 (9th Cir. 2001) (quoting *H.C. v. Koppel*, 203 F.3d 610, 613 (9th Cir. 2000)).

7 In *Lakatos*, the Ninth Circuit held that a supervised release condition requiring the defendant to
 8 pay child support on a schedule inconsistent with a preexisting California Superior Court order was
 9 inconsistent with the statutory limitations implicit in 18 U.S.C. § 3563(b)(2), which authorizes the
 10 sentencing court to impose a condition of probation requiring the defendant to comply with state child
 11 support orders. *Id.* at 694. The court reasoned that the “statutory limitation reflects a federalism
 12 concern with ensuring that federal courts respect state court orders generally and the states’ preeminent
 13 role in matters of child support particularly.” *Id.* In invalidating the condition, the court found that it
 14 would “clearly nullify” the preexisting state order. *Id.* at 695. The court found support for its holding in
 15 the Second Circuit’s statement in *United States v. A-Abras Inc.* that, “where a state has in place a
 16 comprehensive procedure for resolution of the condition probation imposes, it makes good sense to
 17 defer to that established procedure.” *Lakatos*, 241 F.3d at 694 (quoting *United States v. A-Abras Inc.*,
 18 185 F.3d 26, 34 (2d Cir. 1999)). In *A-Abras*, the Second Circuit upheld a supervised release condition
 19 requiring the defendant to pay a city fine at a rate not specified by the city, in part, because the city had
 20 specified no rate for payment and, if a subsequent conflict emerged, the defendant could seek
 21 modification of the condition. 185 F.3d at 35. Read together, these cases suggest that sentencing courts
 22 should be mindful of federalism concerns when imposing probation conditions that implicate areas of
 23 state regulation.

24 **B. The United States’s View on the New Conditions of Probation**

25 PG&E seeks reconsideration of the Court’s April 29, 2020 order adding four new conditions to
 26 its probation. The Court’s order added the following four conditions: First, PG&E must employ a
 27 sufficient number of inspectors on its own payroll to manage its outsourced tree-trimming work. Dkt.

No. 1186 at 6-7. Second, PG&E must keep records identifying the age of every item of equipment on every transmission tower and line. *Id.* at 11. Third, PG&E must design a new inspection system for assessing every item of equipment on all transmission towers, to include precise forms and videos of every inspection. *Id.* at 11-12. Fourth, PG&E must require all contractors performing transmission tower inspections to carry insurance sufficient to cover losses suffered by the public caused by deficient inspections. *Id.* at 12. In its order, the Court invited PG&E to meet with the CPUC and the federal monitor to devise ways to carry out the new conditions and stated that “the Court will be flexible in approving any protocols that achieve the essence of the foregoing new conditions if all such parties so recommend.” *Id.* The Court ordered PG&E to submit a plan for compliance by May 28, 2020. *Id.*

PG&E first argues that the probation conditions are unlawful because they impermissibly interfere with California’s regulatory authority. Mot. at 11-15. In support of its argument, PG&E points to the CPUC’s broad authority to regulate PG&E’s inspection and safety programs, recent California legislation on the issue which, among other things, charges the Wildfire Safety Division (“WSD”) with overseeing electrical corporations’ compliance with wildfire safety, and the fact that PG&E’s inspection program is reviewed and approved by the WSD on an annual basis. *Id.*

As a general matter, the United States believes the Court has the authority to impose probation conditions requiring an organizational defendant to modify their internal operations in support of protecting the public, even if the defendant is an organization within a highly regulated field. The United States recognizes, however, that probation conditions that directly conflict with, or undermine, state regulations give rise to important federalism concerns. *See Lakatos*, 241 F.3d at 694-95. Although none of the examples cited by PG&E appear to present a clear conflict with state regulations,² given the complexity of PG&E’s regulatory environment, the United States believes that the Court and the parties would benefit from receiving input from the CPUC on the issue. If the conditions do, in fact, impede on

² For example, PG&E argues that the application of the transmission record-keeping and inspection conditions to all transmission towers conflicts with a draft WSD resolution directing PG&E to engage in “strategic prioritization of initiatives geographically and by ignition driver to target the highest risk elements of PG&E’s grid” Mot. at 14-15. But PG&E does not explain how strategic prioritization is inconsistent with the new probation conditions, especially in light of the Court’s statement that it will be flexible in approving protocols that achieve the essence of the conditions.

1 the CPUC's ability to regulate PG&E or undermine the WSD's review and approval of its inspection
 2 program, the CPUC can so inform the Court. Soliciting input from the CPUC would also be consistent
 3 with the Guidelines application note stating that "the court should consider the views of any
 4 governmental regulatory body that oversees conduct of the organization" in imposing probation
 5 conditions. U.S.S.G. § 8D1.4 cmt. 1.

6 PG&E's second argument is that the conditions are counterproductive, impractical, dangerous, or
 7 impossible to satisfy. Mot. at 15-25. PG&E submitted over 1,500 pages of documents in support of its
 8 arguments, including expert declarations. Although the United States shares the Court's interest in
 9 imposing more restrictive conditions on PG&E to protect the public, on this record, the United States is
 10 not in a position to address the feasibility of implementing the conditions, the likelihood of their success,
 11 or PG&E's arguments against them. For example, with respect to the condition requiring contractors to
 12 obtain insurance, PG&E submitted a declaration from its Senior Director of Strategic Sourcing stating
 13 that PG&E's contractors would not be able to obtain insurance in the amounts contemplated by the
 14 Court. Dkt. 1187-5. PG&E further argues that "California has recognized that traditional insurance is
 15 no longer a viable solution for insuring wildfire liability" and has provided for a different method of
 16 compensating wildfire victims. Mot. at 25. The United States is unaware of any other evidence in the
 17 record on the issue.

18 Because of the complexity of these issues, the United States recommends that the Court
 19 supplement the record on the efficacy of its proposed new conditions. For instance, the Court could ask
 20 its Federal Monitor to obtain opinions from its experts on the new conditions and/or propose
 21 modifications to them.³ While the record is replete with facts to support more restrictive probation
 22 conditions with respect to PG&E's inspections, the record is comparably thin on evidence to show that
 23 the *specific conditions* ordered by the Court are reasonably necessary to improve PG&E's inspections
 24 and thereby protect the public. Receiving input from experts and regulators will develop that record
 25 more fully.

26
 27 ³ If the Monitor does not currently have experts qualified to evaluate the conditions, it could
 retain additional experts, as necessary.

In sum, the United States recommends that the Court extend the stay of its order imposing new probation conditions, and supplement the record on the question of whether the *specific conditions* ordered by the Court are no broader than reasonably necessary to achieve the goals of 3553(a).

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Respectfully submitted,

DAVID L. ANDERSON
United States Attorney

/s/
JEFF SCHENK
PHILIP KOPCZYNSKI
NOAH STERN
Assistant United States Attorneys

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